



RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
GHANA CLIMATE INNOVATION CENTER
APPROVED ON FEBRUARY 2, 2016
TO
ASHESI UNIVERSITY, INNOHUB FOUNDATION

FINANCE, COMPETITIVENESS AND INNOVATION

AFRICA

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ABBREVIATIONS AND ACRONYMS

AUC	Ashesi University College
CIC	Climate Innovation Center
CTP	Climate Technology Program
GCIC	Ghana Climate Innovation Center
GCVF	Ghana Climate Venture Facility
I&P	Investisseurs et Partenaires
SME	Small and Medium Sized Enterprises



BASIC DATA

Product Information

Project ID P145765	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 02-Feb-2016	Current Closing Date 30-Jun-2020

Organizations

Borrower Ashesi University, innoHub Foundation	Responsible Agency Ashesi University College, innoHub Foundation
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Project Development Objective (PDO)

Original PDO

The objective of the project is to support entrepreneurs and SMEs involved in developing profitable and locally-appropriate solutions to climate change and increase business activity in the climate technology sector through the establishment of a locally based climate innovation center.

Summary Status of Financing

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net Commitment	Disbursed	Undisbursed
TF-A1680	03-Feb-2016	03-Feb-2016	22-Feb-2016	30-Jun-2020	8.50	3.82	4.68

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

A. Project Status

1. The Ghana Climate Innovation Center (GCIC) project was approved and became effective in February 2016. The GCIC project is part of the World Bank's global Climate Technology Program (CTP), which has established Climate Innovation Centers (CICs) in six other countries including Kenya, Ethiopia, South Africa, Morocco, Vietnam, and the Caribbean. CICs provide technical and financial support to entrepreneurs and small and medium enterprises (SMEs) involved in developing profitable and locally-appropriate solutions to climate change and they support the overall development of climate (clean) technology sectors in these countries including renewable energy, clean water, and sustainable agriculture.
2. The GCIC project has two components, together geared towards incubating and funding promising Ghanaian startups and SMEs in the climate technology sector:
 - Component 1: CIC Establishment, Services and Monitoring and Evaluation
 - Component 2: Ghana Climate Venture Facility (GCVF)¹
3. A grant agreement was signed with Ashesi University College (AUC) in February 2016 to finance implementation of Component 1. A second grant agreement to finance implementation of Component 2 was originally intended to be signed with AUC about February of 2017.
4. Implementation of Component 1 experienced initial delays due to the unforeseen departure of the original GCIC Executive Director and challenges in recruiting a replacement Executive Director. This lack of leadership at the GCIC held up most other aspects of Component 1 implementation in 2016. These issues have now been remedied through the hiring of a dynamic Executive Director and a strong core team to manage the GCIC. These implementation delays, however, revealed capacity limitations at AUC – the implementation of Component 1 represents a significant undertaking for a university the size of AUC – and it was agreed that also implementing Component 2 would stretch AUC's capacity and risk diminishing the quality of both components. Therefore, in a collective decision between the board of AUC, the government of Ghana, and the World Bank, it was agreed that utilizing an alternative implementing agency for Component 2, rather than AUC, would give both components of the project the best chance for success.

¹ Note that Component 2 has been retitled to "Ghana Climate Venture Facility" from "Climate Venture Financing Facility" as was used in the original PAD



5. The last archived Implementation Status Report (ISR) (dated March 1, 2018) rated the project's development progress (DP) towards achievement of the project development objective as well as the project's implementation progress (IP) as "Moderately Satisfactory". This reflects steady progress on Component 1 and the identification of a new implementing agency to implement Component 2. Project development objectives are achievable within the project timeline if implementation going forward maintains the efficiency and effectiveness shown over the last 18 months in 2017 and 2018.
6. As of September 2018, disbursements were USD 3.82M or 44.9% of the committed project funds (i.e. the signed grant for Component 1). Disbursements have been driven by costs under Component 1 related to establishment of the GCIC at AUC and delivery of programs to SMEs. The Component 2 grant agreement is not yet in place and therefore has not begun disbursing. Recent implementation progress on both project components is described in more detail below.
7. Component 1 (GCIC Establishment, Services and Monitoring and Evaluation) finances the establishment of the GCIC at AUC. The GCIC provides a full suite of services to Ghanaian SMEs, technologists, entrepreneurs, and new ventures that address challenges to starting and scaling their climate (clean) technology businesses in sectors such as renewable energy, climate-smart agriculture, energy efficiency, and water management and purification. GCIC services include business advisory and training services, small proof-of-concept grants, market development services, access to product testing facilities, and government engagement on policy and regulatory challenges. In this way, the GCIC acts as a national focal point, coordinating efforts in promoting the growth of locally relevant climate technology sectors.
8. As mentioned above, Component 1 experienced initial implementation delays in 2016. Progress was held up due to the lack of a core team in place to manage the GCIC, including an Executive Director who could provide leadership for overall implementation. A set of actions was agreed in December 2016 between the World Bank and AUC and its consortium partners to improve project implementation. These actions covered the following areas: (i) Executive Director and Core Staff Recruitment, (ii) Work Program Planning, (iii) Launch of Programs, (iv) Advisory Board Setup, (v) WBG Supervision Strengthening, (vi) Technical Support, and (vii) Project Reporting. These actions have all been advanced as agreed throughout 2017 and 2018 and implementation issues have now been addressed by the project implementing agency. Notably, a dynamic GCIC Executive Director has been recruited and is supported by a core team of GCIC staff as well as the combined resources of AUC and its consortium partners, which include Ernst and Young, SNV, and the United Nations University Institute of Natural Resource (UNU-INRA). Three cohorts of client SMEs have been recruited and several rounds of advisory work have taken place to support each of the SMEs. The complete range of GCIC support programs for SMEs includes advisory, financing, technology support, and market development work.
9. Component 2 supports the establishment of the GCVF that will provide financing to eligible GCIC clients and other climate technology SMEs that demonstrate significant potential to grow, create jobs, and address climate



challenges. The GCVF will operate in close coordination with the GCIC and seeks to address the financing gap for promising early-stage climate technology companies in Ghana. Through this, the GCVF component aims to develop a deal flow of investible, sustainable, and scalable enterprises that contribute to and attract additional investment to Ghana's growing climate technology sectors. Project financing for Component 2 will be used to establish the GCVF, catalyze fundraising of additional public and private funds for the GCVF investment pool, and provide technical assistance (advisory services) and investment capital for SMEs in the GCVF pipeline and portfolio.

10. Component 2 was originally intended to be financed through a second grant agreement to AUC with implementation to begin in Spring 2017. However, as described above, capacity limitations at AUC resulted in a collective decision between AUC, the government of Ghana, and the World Bank to identify an alternative agency to implement Component 2. innoHub Foundation, a Ghana based business accelerator, was identified through a competitive selection as the new implementing agency for Component 2. innoHub Foundation brings relevant expertise and capacity, as well as strong potential commitments from co-financing partners. innoHub has identified Investisseurs et Partenaires (I&P), an experienced international fund management company, as a technical assistance partner to ensure successful implementation of Component 2. This arrangement for Component 2 frees up AUC and its consortium partners to concentrate on continued effective implementation of Component 1.

B. Rationale for Restructuring

11. As noted above, implementation for Component 1 experienced considerable delays in 2016 that highlighted the limitations to the capacity of AUC to implement an additional World Bank grant under the project. The implementation of Component 1 represents a significant undertaking for a university the size of AUC. In this context, the board of AUC raised concerns over the reputational risk to AUC of taking on an additional World Bank grant while the effective implementation of the first grant was still in question. AUC and the World Bank then engaged in extensive dialogue and determined that implementing Component 2 would stretch AUC's capacity and risk diminishing the quality of both components. In a collective decision between the board of AUC, the government of Ghana, and the World Bank, it was agreed that identifying an alternative implementing agency for Component 2 would give both components of the project the best chance for success.
12. In late 2016, expressions of interest and detailed proposals for establishment and management of the GCVF were solicited from experienced early stage investment fund management organizations determined to have strategic alignment and appropriate capabilities. Review of these proposals was followed by a series of due-diligence phone calls, after which the top two proposals were selected for in-person due diligence meetings during a World Bank mission in Accra (March 7-17, 2017). From this process, innoHub Foundation and the Africa-focused impact investing company I&P were selected as the consortium with the top proposal and most complete capabilities to implement Component 2. During project restructuring preparations, it was determined that innoHub Foundation would be the implementing agency, with I&P providing technical assistance to innoHub Foundation on fund management setup and investment management on an as-needed basis.



II. DESCRIPTION OF PROPOSED CHANGES

C. Change in Implementing Agency for Component 2

13. The proposed restructuring will change the implementing agency for Component 2. AUC will continue to implement Component 1 while innoHub Foundation will implement Component 2, per Figure 1 below.

Figure 1. Revised Project Implementing Agencies

Project Component	Implementing agency name	Action
Component 1: CIC Establishment, Services and Monitoring and Evaluation	Ashesi University College (AUC)	No Change
Component 2: Ghana Climate Venture Facility	innoHub Foundation	New

D. Change in Institutional Arrangements

14. Project implementation will now be split between AUC (Component 1) and innoHub Foundation (Component 2). The two project components – the GCIC and the GCVF – will maintain a strategic relationship as originally envisioned in the project design, including through representation on the other organization’s advisory board and sharing each others’ pipelines of climate technology SMEs. In this way, the GCIC will contribute to building of a pipeline of investment ready SMEs for the GCVF to assess and potentially invest in. And in turn, the GCVF will be able to refer SMEs to the GCIC that need additional technical assistance and advisory support to become investment ready.
15. The World Bank undertook an extensive competitive process to identify and select innoHub Foundation to implement Component 2. This included a local investor landscape mapping, stakeholder engagements, the sourcing of fund management expressions of interest and proposals, as well as in person interviews and due diligence. From an initial engagement with more than ten investment companies, followed by expert review of four proposals, innoHub Foundation was selected as the implementing agency. innoHub Foundation has experience with accelerating start-up and early stage Ghanaian SMEs including investing its own funds in some of these SMEs. innoHub Foundation’s technical assistance partner I&P further brings a strong track record and presence in establishing locally based African SME funds like the GCVF. Since 2015, I&P has launched and sponsored three African investment funds: Sinergi Niger in Niger, Sinergi Burkina in Burkina Faso and Teranga Capital in Senegal. I&P has already begun providing capacity building and TA to the project during project preparations given the need to build momentum for the GCVF launch and fundraising.
16. Following approval of the project restructuring, a grant agreement will be signed with innoHub Foundation as the implementing agency and recipient of the funds to establish the GCVF. innoHub Foundation will ensure that the



GCVF will be established shortly thereafter as an investment company in Ghana that will make investments in early-stage climate ventures in Ghana. The origination, appraisal and management of GCVF investments will be done by a Ghana based investment management team with oversight from innoHub Foundation and technical assistance support from I&P or another technical assistance partner.

17. The World Bank funding for Component 2 will be provided as a grant to be used (i) for the establishment and early operations of the GCVF Investment Company in Ghana, (ii) to allow the GCVF to provide pre- and post-investment technical assistance to potential GCVF investee SMEs, and (iii) to provide the GCVF with a pool of investment capital necessary to attract additional private and public funding and make investments into SMEs. The World Bank's funding contribution to the GCVF investment pool will be structured in a way to catalyze private investment into the GCVF, thereby growing the overall funding base for investment. These institutional arrangements are in line with industry practice for investment funds and intended to ensure the GCVF is established in a sustainable manner, so that it will continue its activities well beyond the close of the World Bank grant. Figure 2 further below illustrates these relationships.

Steering Committee

18. Given the intended blending of the grant with private capital, a GCVF grant Steering Committee will be established and empowered to ensure that the grant funds are being utilized most effectively towards the project's objectives. The Steering Committee will consist of a representative from the Board of innoHub Foundation as well as two or more independent professionals with investment management or investment fund structuring expertise

GCVF Investment Company

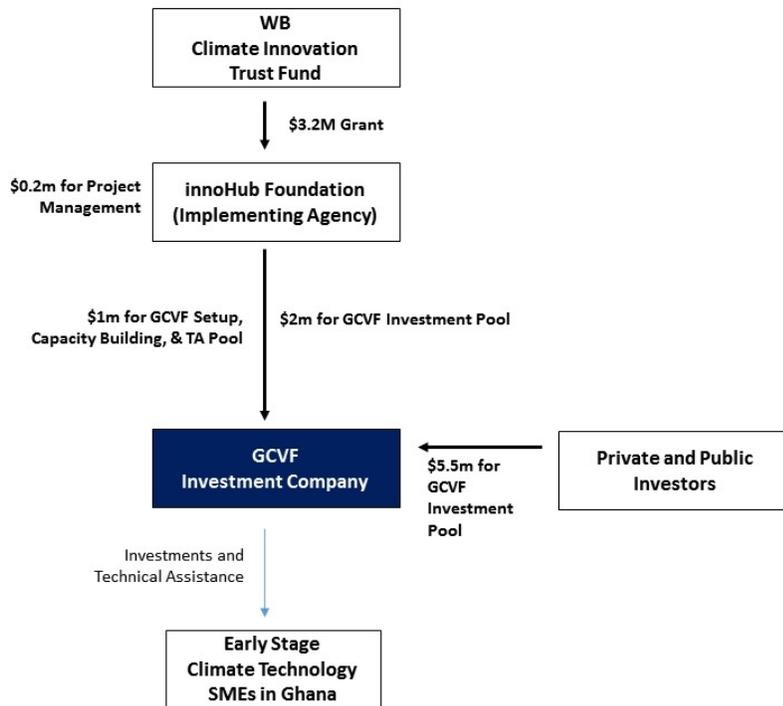
19. innoHub Foundation will establish an "evergreen" (i.e. with an unlimited lifespan) GCVF Investment Company in Ghana, under the country's applicable laws, with the objective of making investments in early-stage and growing climate technology SMEs in Ghana. Companies eligible for investment will be active in the following climate technology sub-sectors: renewable energy product/services (including off-grid and on-grid renewable energy); energy efficiency; waste management; climate smart agriculture; water management, and other areas that create positive climate mitigation or adaptation impact. In addition, to diversify and manage portfolio risk, the GCVF Investment Company will also invest in early-stage SMEs in other sectors provided they adopt climate friendly business practices as developed and implemented through approved climate action plans.
20. The GCVF Investment Company will be expected to have an overall minimum investment capitalization of \$7.5 million. World Bank grant funding will contribute \$2 million to the GCVF investment pool. The GCVF investment management team will undertake fundraising from private and public investors to raise the remaining \$5.5 million necessary to fully capitalize the GCVF Investment Company. A long-term Business Plan, Private Placement Memorandum and other fundraising materials will be prepared – in form and substance satisfactory to the Bank – to attract additional investors into the GCVF.



21. To attract private investors into the project, funding from the World Bank grant for the GCVF investment pool may be on concessional terms to private investors, on terms and conditions satisfactory to the Bank and consistent with the overall objectives of the project.
22. All investors into the GCVF Investment Company will enter into Shareholders Agreements indicating the terms and conditions of their investment into the GCVF Investment Company. The form and substance of these Shareholders Agreements will be satisfactory to the World Bank.
23. The GCVF Investment Company will be governed by a Board of Directors – responsible for the overall direction, strategic, organizational and fiduciary oversight of the GCVF Investment Company. The Board of Directors will consist of representatives of innoHub Foundation and other investors in the GCVF Investment Company. In addition, the GCVF Investment Company will also have an investment committee which will be responsible for activities typically expected of an investment committee including inter alia: approving investment policies and procedures, approving investments in eligible SMEs, overseeing the management of the investment portfolio, and making exit decisions. The GCVF Investment Company may also form other committees to enable effective governance. The composition, qualifications and terms of reference of the Board of Directors, investment committee, and other committees, will be satisfactory to the World Bank.
24. The GCVF Investment Company will be responsible for: sourcing investment pipeline, screening and performing due-diligence, presenting evaluated investment opportunities to the investment committee, structuring and executing investments, providing pre- and post- investment technical assistance to investee SMEs, and monitoring/management of the investment portfolio. The GCVF Investment Company will also provide investment, portfolio, financial and operational reporting to GCVF investors and other stakeholders (including the World Bank).
25. The GCVF Investment Company will consist of a small investment and operating team led by a Managing Director and including a Senior Investment Principal, a Chief Financial Officer, and Investment Officers/Analysts. innoHub Foundation will acquire technical assistance as needed from I&P or other providers as needed to build the capacity of the GCVF Investment Company staff in early-stage SME and climate investing. The terms of reference and composition of the GCVF Investment Company’s management team will be satisfactory to the Bank.
26. Figure 2 illustrates the institutional arrangements and funding flows for Component 2:



Figure 2. Revised Component 2 Institutional Arrangements



27. Figure 3 lists how World Bank funds are allocated for Component 2

Figure 3. Bank Funding for Component 2

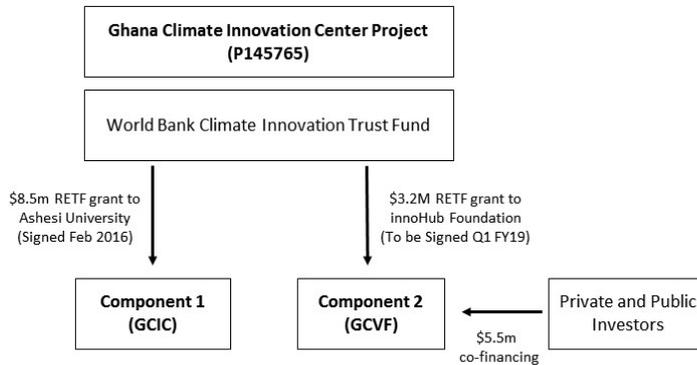
Bank Funding for Component 2 (GCVF)	US\$
GCVF Investment Company Set-up Costs	150,000
GCVF Investment Company Capacity Building and Operating Costs	500,000
Pre- and Post- Investment Technical Assistance to SMEs	300,000
Project Management, M&E and Reporting	250,000
Fund Capitalization	2,000,000
Total	3,200,000

E. Financing Plan

28. The financing plan has been adjusted to reflect the sources of counterpart funding that have been identified for Component 2. The amount of financing for the overall project and project components does not change. The following diagram illustrates the revised project financing plan:



Figure 4. Revised Project Financing Plan



29. The World Bank will contribute \$3.2m of the funding required for Component 2. Private and public investment funding will be raised for the remaining \$5.5m financing gap. These additional funding sources will be identified through a GCVF-led fundraising process. An initial pipeline of funders includes potential commitments from the Venture Capital Trust Fund (\$2m), and private individuals (\$1m). Co-financing is expected to be legally committed by funders during project implementation though not fully disbursed until after the project period. This is standard practice with private equity type arrangements and reflects the project’s objectives to provide an SME financing vehicle that is sustained well beyond the project implementation period. Full Component 2 funding is as follows:

Figure 5. Revised Component 2 Financing Plan

Component 2 Fund Source	Amount (USD)	Status
World Bank Climate Innovation Trust Fund	3,200,000	Secured
Prospective co-financiers (including international climate focused and impact investors, Ghanaian institutions, and High-Net Worth Individuals)	5,500,000	To be engaged in FY19-FY20, following World Bank grant signing
TOTAL	8,700,000	

F. Financial Management and Disbursement Arrangements

Introduction

30. Consistent with the guidelines of the Financial Management Manual for World Bank-Financed Investment Operations issued on March 1, 2010, a financial management (FM) assessment was conducted on innoHub Foundation. innoHub Foundation will be the grant recipient and implementing agency for implementing the second component of the restructured GCIC project. The objective of the assessment is to determine: (i) whether



innoHub Foundation has adequate financial management arrangements to ensure project funds will be used for purposes intended in an efficient and economical way; (ii) the project's financial reports will be prepared in an accurate, reliable and timely manner; and (iii) the entities' assets will be safe guarded.

31. Overall the initial assessed FM risk of the Finance and Accounting unit of innoHub Foundation concludes that the FM risk rating is assessed as being **substantial**. The reasons being that primarily *the firm has not been involved in implementing any World Bank funded project and as such are not conversant with the FM & Disbursement guidelines, given the relatively small size of its operations, they had not developed adequate and robust financial management systems and also the inherent risk associated with the nature of the project of disbursing grants/investment capital to start-up firms who may not have adequate fiduciary arrangements etc., and these factors taken together* pose a potential risk including potential for misprocurement, ineligible expenditure and possibilities of refunds.
32. Prior to effectiveness and throughout implementation, the risks are expected to be mitigated by (i) assisting innoHub Foundation to update and revise its internal documentation – The Finance and Accounting Manual, (ii) competitively recruit a qualified chartered accountant as the Head of Finance and participating in a series of World Bank organized fiduciary (FM, Disbursement & Procurement) training. Secondly, as part of project readiness, the Bank will work with innoHub Foundation to strengthen its technical capacity through implementation of an agreed set of measures.
33. To strengthen their operational efficiencies, the following inter alia are recommended as an initial phase which will be assessed throughout implementation:
 - Recruitment of a full time qualified chartered accountant with terms and conditions satisfactory to the World Bank,
 - Recruitment of a junior accounts officer (to allow for adequate segregation of duties and accounting processes),
 - Updating of a Financial & Accounting Procedures manual – which will detail out the processes for initiation, processing, approvals authorisation and payments of transactions etc.
34. On signing of the Grant Agreement, the Bank FM Specialist will conduct a series of training on World Bank financial management and disbursement guidelines for the accounts staff.
35. Even though the above mitigation measures have been outlined, the overall FM risk is maintained as **substantial**. The FM risk rating will be assessed periodically (quarterly) during implementation.

Project Financial Management

36. Currently, within innoHub Foundation, the financial management functions are the responsibility of the Business Manager who reports directly the Chief Executive Officer (CEO). However, our assessment notes that the Business Manager is not adequately qualified to undertake the functions and there are issues with lack of segregation



within the firm on accounting related processes of preparation, accounting and reporting on financial transactions. It is to address this issue that the Bank has indicated that, prior to effectiveness of the grant, innoHub Foundation should recruit a qualified chartered accountant as Head of Finance to be responsible for managing not only the financial responsibilities of the project but also for the foundation.

37. It is proposed that, under the administrative and functional oversight of the CEO, the overall financial management responsibility will be handled by the Head of Finance (HoF) with the support of a at least one junior accountant in the role of a dedicated Project Accountant to ensure adequate segregation of duties within the firm. The Junior Accountant working under the supervision of the Head of Finance (HoF) will also be responsible for maintaining and operating the project's designated account and supporting the processing of payments to contractors and service providers and verifying and authorizing payments for all contracts and activities under this project.
38. The primary responsibility of the HoF is to ensure that throughout implementation there are adequate financial management systems in place which can report adequately on the use of project funds. In addition, the HoF will be tasked with maintaining oversight responsibilities with regards to ensuring compliance with financial covenants such as preparing Withdrawal Application, submitting Interim Unaudited Financial Reports (IFRs), maintaining internal controls over project expenditure made to start ups and engaging external auditors. In addition, under the authority of the CEO, the HoF will also be responsible for maintaining and operating the project's designated account and assist in the processing of payments to contractors and service providers and verifying and authorizing payments for all contracts and activities under this project to ensure that they are eligible as per the Grant Agreement.

Budgeting Arrangements

39. Based on discussions with the Business Manager, it is understood that presently the Chief Operation Officer (COO) is responsible for initiating the budget preparation processing in consultation with the CEO. Once the budget is finalized it is presented to the Board for review and approval. As part of our review, innoHub Foundation made available copies of their Accounting Manual. However, our review notes that even though these processes were mentioned, they were not adequately reflected and as such the Bank will recommend that as part of strengthen the fiduciary systems, the process for budget preparation should be formally documented in the revised Financial and Accounting Manual to ensure compliance and standardization of processes and procedures. For purposes of implementing the project, the Bank will require that innoHub Foundation prepares and submits to the Bank for review and clearance an annual work plan and budget (*including procurement plan*) and it is only on the basis of the cleared budget that expenditure may be considered as eligible. Once the budgets are approved, copies are made available to the Financial Controller to enable him to monitor and review adequate budgetary control on expenditure.

Accounting Arrangements



40. Presently the daily accounting and transaction processing is managed by the Business Manager whose primary function is to maintain the accounting system including handling receipts, payment, recording and reporting. innoHub Foundation uses a computerized accounting package (*ERPNext* for most of its core operations – accounting, payroll, banking, reconciliations etc.) and spreadsheets for transaction processing and reporting. The system has built-in controls and audit trails which is adequate to report on the different source of funding and other related accounting information. A review of the coding structure/Chart of Accounts, the general ledger and sample reports indicated that the systems in place are robust and adequate to accurately capture and report on the use of project funds and can be relied upon during implementation.

41. As stated earlier, at present, based on the scale of its operations, innoHub Foundation does not have a qualified accountant with relevant experience for managing its routine transaction processing and reporting. It is thus proposed that a full-time accountant will be recruited to strengthen the team and ensure effective internal controls and oversight on the use of project funds.

Internal Control and Internal Auditing

42. Presently, given the size and focus of its operations, innoHub Foundation and its subsidiaries do not have an internal audit unit as part of its organogram. However, based on the expected volume of activity due to receipt of the US\$3.2million grant and additional co-financing, it is important that as part of their operations management considers having in place an internal audit and risk management function. Initially the firm could outsource their internal audit and risk management functions to a third party on a retainer basis and complement their internal control environment through updating the various operational manuals to ensure that there are uniform and standard policies and procedures to provide guidance to staff. These manuals provide awareness to staff, third parties, and partners on the mandatory requirements, functional role and responsibilities, authorization limits and thresholds, investment policy considerations, and guidelines and procedures necessary to ensure a sound internal control environment.

43. Our assessment concludes that the internal control and business risk environment needs to be significantly improved upon to mitigate any fiduciary risk. Effort at mitigating such risk will also include the firm obtaining technical assistance and capacity building for its core staff.

Funds Flow and Disbursement Arrangements

44. The Project would be funded by a **US\$3.2 million** grant to be disbursed over approximately two year period with a Closing Date of June 2020. Proceeds of the grant will be used by the project for eligible expenditures as defined in the grant agreement and further detailed in the respective annual work plans and budgets.

45. The proposed arrangement is to use two Designated Accounts (DA) (denominated in US dollars) and specifically opened at a commercial bank acceptable to the World Bank under the direct oversight of the CEO but managed and operated by the HoF in collaboration with the Programme Manager, as follows:

- Designated Account 1: All Category 1 expenditures



- Designated Account 2: All Category 2 expenditures

Disbursement arrangements and use of funds

46. Proceeds of the financing will follow the standard Bank procedures for Investment Project Financing (IPF), for use by the Borrower for eligible expenditures as defined in the Grant Agreement. Funds flow and disbursement will be implemented under the principles of traditional IPF arrangements using the **transaction-based disbursement arrangements (SoE)**. Based on the initial estimated work plan and activities it is proposed that the initial ceiling is limited to **US\$500,000 for Designated Account 1** (Category 1 expenditures) and **US\$2,000,000 for Designated Account 2** (Category 2 expenditures).

Figure 6. Allocation of Grant Proceeds

Category Description	Allocated Amount (USD)	Percentage of Expenditure to Be Financed (including Taxes)
(1) Goods, consultancy services, non-consultancy services, and operating costs	1,200,000	100%
(2) Capitalization of GCVF Investment Company	2,000,000	100%
TOTAL	3,200,000	

47. Disbursement under Category one (1) will be done following normal IPF disbursement guidelines as detailed out in the Disbursement Handbook. For Category two (2), disbursement will be done in tranches based on meeting the withdrawal conditions as stated in the Grant Agreement.

48. *Additional instructions for disbursements will be provided in a disbursement letter to be issued for this project.*

Financial Reporting Arrangements

49. The Project will be required to prepare and submit quarterly IFRs to account for activities funded under the grant. The Project Accountant, under the supervision of the HoF, is responsible for preparing and submitting acceptable quarterly IFRs. IFRs for the project are expected to be submitted not later than 45 days after the end of each quarter. The financial reports will be designed to provide relevant and timely information to the project management, transfers to beneficiaries’ agencies, and various stakeholders monitoring the project’s performance. The formats, content and frequency of reporting will be agreed prior to negotiations. These reports should show clearly as a minimum include:



- i. A statement of sources and uses of funds showing the use of funds by components as per the PAD (useful in monitoring implementation of the components)
- ii. A statement of sources and uses of funds showing the expenditure by category as per the Grant Agreement (for allocating expenditure as per the Grant Agreement)
- iii. A budget variance report comparing the utilization of approved budget against expenditure (useful to the TTL to monitor implementation and fund utilization)
- iv. A Designated Account reconciliation statement
- v. A list of payments (made in that quarter) made against contract subject to the World Bank's prior review List of current commitments, that is, signed and ongoing contracts
- vi. Any other report that shall be required to provide further and better on project expenditure, e.g. grants/investments made to start ups etc.

Auditing

50. Since its inception innoHub Foundation has been externally audited by a reputable audit firm selected on a competitive basis and affiliated to the international audit firms and a review of the audit reports were satisfactory with unqualified opinions. Specifically, for the Grant, prior to the appointment of the auditors the TOR will be cleared by the Bank to ensure that the scope and coverage of the audit is satisfactory, particularly agreements regarding auditor's work on the transfers to the core and national partners.

As a financial covenant the audit report must be submitted to the Bank within six months following the end of each calendar year together with a management letter highlighting any deficiencies in financial management systems.

Conclusion of the Assessment

51. A description of the project's financial management arrangements as documented in the preceding paragraphs indicates that they satisfy the Bank's minimum requirements under OP/BP10.00. Overall the financial management residual risk is assessed and rated as **Substantial** and this is due to the limited capacity of the accounts staff in managing IDA funded projects and the inherent risks associated with the project.

Supervision Plan

52. Based on the risk rating of the project and the current FM arrangement it is expected that in the first year of implementation there will be four quarterly onsite visits to ascertain adequacy of systems and supplemented by verification of amounts claimed via SoE returns, desk reviews of IFR and audit reports. The FM supervision mission's objectives will include ensuring that strong FM systems are maintained for the project throughout project tenure. In adopting a risk-based approach to FM supervision, the key risk areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and fund disbursement arrangements and the ability of the systems to generate reliable financial reports.

G. Procurement



53. **innoHub Foundation**, the recipient, entered the Project through a restructuring. As such, the Procurement Guidelines of the original project are still applicable. The procurement documents will be based on the Bank's Standard Procurement Documents. The initial Procurement Plan shall be updated in agreement with the Bank at least annually or, as required, to reflect the actual procurement needs. This will be fed into STEP for Bank review and clearance.
54. **Procurement arrangement and Capacity Assessment of innoHub Foundation:** The recipient will be handling its procurement under the project using Bank procedures. The Bank conducted the procurement capacity assessment in line with PRAMS. innoHub Foundation is a non-governmental agency; as such it does not follow government procurement systems. It is noted that innoHub Foundation has an Internal Tender Committee (ITC) headed by the CEO, which reviews and gives approvals for procurement activities in the organization. However, approval of awards is done by the CEO, ITC, and the Board, depending on the value of the procurement.
55. It is, however, noted that innoHub Foundation is yet to establish a procurement function in its organogram. As at the time of assessment, the HR Manager was handling procurement, as an add-on activity. An assessment of the officer was assessed as well as a possible focal person for procurement who is a staff but handling another portfolio. It was noted that they lack the requisite qualification, experience and knowledge in procurement, not to mention Bank procurement requirements. Procurement is an add-on to their task. We did not see a comprehensive procurement manual governing the procurement in the organization, although innoHub Foundation informed us they are in the process of preparing one. This the TTL has submitted recently and found to be generally good. It is also noted that the records keeping, filing and accessibility need improvement. innoHub Foundation has prepared procurement plans in excel for the project but this is yet to be fed into STEP for review and clearance.
56. **Procurement Risk rating:** Given the above observations the procurement risk is rated **HIGH** mainly because of the following **risks:** (i) No focal person of adequate experience and knowledge in procurement and certainly Bank's procurement guidelines and regulation; (ii) Lack of standard documents and procedures for procurement activities; (iii) lack of clear separation of procurement responsibilities, until recently; (iv) possible delay in procurement planning and execution. Immediate **mitigation by** innoHub Foundation: *(i) recruit external consultant/staff who is proficient with experience in Bank procurement rules and procedures, as well as in general procurement, and donor funded procurement to prosecute all procurement at innoHub Foundation as well as quality assure and support the procurement delivery of starter organization;* then (ii) use Bank standard procurement documents found on the website www.worldbank.org/procurement for all procurements with the appropriate modification acceptable by the WB; and (iii) the Procurement Specialist should attend the Bank monthly procurement clinic, while building the capacity of the entire organization on Bank procurement procedures.
57. The applicable procurement thresholds for procurement planning are as follows:



RISK RATING	Prior Review Threshold in (US\$ '000)					Procurement Methods Thresholds (in US\$ '000)							
			Consultants			Works			Goods, IT and non-consulting services			Shortlist of National Consultants	
	Works	Goods, IT Systems+ Non Con. Serv	Firms	Individuals	Single Source & Direct Contract	Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Consulting services	Engineering & construction supervision
HIGH	≥\$5,000	≥\$1,500	≥\$500	≥\$200	≥\$50	≥15000	<15000	≤200	≥3000	<3000	≤100	<300	≤500

58. **Training, workshops, conference attendance, and study tours** will be carried out based on approved annual work programs; however this should not be presented on the Procurement plan.

59. **Frequency of Procurement Supervision:** One supervision mission each year to visit the field to carry out post-review of procurement actions with one PPR before project closes.

H. Environmental and Social Safeguards

60. All project activities under Component 1 and Component 2 will continue to be managed under the existing Environmental and Social Management Framework (ESMF). The ESMF was disclosed in Ghana on April 10, 2015 and through the World Bank’s InfoShop on April 15, 2015.

61. innoHub Foundation will implement the ESMF for Component 2, consistent with all agreed practices under the ESMF. Any sub-project activities that will take place under Component will have to be screened as per the procedures established in the ESMF and the relevant safeguards instruments prepared and implemented as may be applicable to the specific sub-project. innoHub Foundation will have a dedicated safeguards consultant to support with the screening and guidance on the safeguards compliance throughout the project.

I. Change in Disbursement Estimates

62. Disbursement estimates have been revised to reflect (i) disbursements to date and (ii) adjusted amount of World Bank contributions to the full cost of Component 2. See the revised Disbursement Estimates table below.

III. SUMMARY OF CHANGES

	Changed	Not Changed
Implementing Agency	✓	
Institutional Arrangements	✓	
Financial Management	✓	



Procurement	✓	
Implementation Schedule	✓	
DDO Status		✓
Project's Development Objectives		✓
Results Framework		✓
Components and Cost		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Disbursement Estimates		✓
Overall Risk Rating		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
APA Reliance		✓
Other Change(s)		✓
Economic and Financial Analysis		✓
Technical Analysis		✓
Social Analysis		✓
Environmental Analysis		✓

IV. DETAILED CHANGE(S)

IMPLEMENTING AGENCY

Implementing Agency Name	Type	Action
Ashesi University College	Implementing Agency	No Change
innoHub Foundation	Implementing Agency	New



The World Bank

Ghana Climate Innovation Center (P145765)
